

## Treasury Management Policy

Policy Number – F08

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## 1. Policies and Objectives of the Association’s Treasury Management Function

1.1. In approving this Treasury Management Policy Statement, the Board (“Board”) of Clyde Valley Housing Association (“CVHA” or the “Association”) makes explicit reference to:

- CIPFA – *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* (revised December 2021) (the “Code”);
- The Scottish Housing Regulator – “*Regulation of Social Housing in Scotland – Our Framework*,” issued in February 2019 and subsequently revised with effect from 1 April 2019 and
- The Scottish Housing Regulator – “Treasury Management – Recommended Practice”.

1.2. CVHA also recognises that the SHR states that its “regulatory expectation” is that Registered Social Landlords will comply with the CIPFA Code.

1.3. For the purposes of this document the “organisation” includes both CVHA and its subsidiary Clyde Valley Property Services (“CVPS”) and will be reviewed if further subsidiary companies are added to the Group. It is the responsibility of the Finance and Corporate Services Director (“F&CSD”) to ensure that the policies and procedures outlined herein are applied within the subsidiaries.

1.4. The Association acknowledges the three Key Principles as set out in Section 4 of the Code, specifically:

- **Key Principle 1**  
Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- **Key Principle 2**  
Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities, and that responsibility should form part of their annual strategy and should ensure that priority is given to security and liquidity when investing funds.
- **Key Principle 3**  
They should acknowledge that the pursuit of best value in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk *management policies and practices should reflect this.*

**2. Whilst CVHA is not a public service organisation it nevertheless agrees to adopt CIPFA’s recommendation to public service organisations that they should adopt - as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances - the four clauses set out in Section 5 of the Code:**

2.1. The Association will create and maintain, as the cornerstones for effective treasury management:

- *A Treasury Management Policy Statement (“TMPS”), stating the policies and objectives of its treasury management activities.*
- *Suitable Treasury Management Practices (“TMPs”), setting out the manner in which the Association will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.*

2.2. The content of the policy statement and treasury management practices will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in CVHA materially deviating from the Code’s key recommendations.

2.2.1. The Board will receive reports on the Association’s treasury management policies, practices, and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs.

2.2.2. The members of the Association delegate responsibility for the implementation and monitoring of its treasury management policies and practices to the Board and delegate the execution and administration of treasury management decisions to the F&CSD, who will act in accordance with the Association’s policy statement and TMPs and, if he/she is a CIPFA member, CIPFA’s *Standard of Professional Practice on Treasury Management*.

2.2.3. The Board will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2.2.4. The following are also relevant background to this document:

- The Rules of the Association;
- The Co-operative and Community Benefit Societies Act 2014; and
- The Association’s risk management strategy, which includes Treasury activities.

**3. Treasury Management Policy Statement**

3.1. In accordance with the recommendation contained in Section 6 of the Code:

3.1.1. CVHA defines its treasury management activities as:

***“The management of the Association’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”***

3.1.2. CVHA regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury

management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for CVHA.

- 3.1.3. CVHA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”

#### 4. Treasury Management Practices and Schedules

CVHA operates the following [Treasury Management Practices](#). The systems and routines employed, and the records maintained, are set out in the [Schedules](#) to these TMPs.

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## **TMP1: Treasury Risk Management**

### **General Statement**

The Finance and Corporate Services Director (“F&CSD”) of the Association will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in [TMP6 Reporting requirements and management information arrangements](#). In respect of each of the following risks, the arrangements, which seek to ensure compliance with these objectives, are set out in the [Schedules](#) to this document.

### **TMP1.1 Credit and counterparty risk management**

- 1.1.1 CVHA regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in [TMP4 \(Approved Instruments, methods and techniques\)](#) and listed in the schedule to this document.
- 1.1.2 The Association also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements. [This is set out in Schedule S1.1\(2\)](#).

### **TMP1.2 Liquidity risk management**

- 1.2.1 CVHA will ensure it has adequate, but not excessive cash resources, borrowing arrangements, overdraft and/or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives.
- 1.2.2 CVHA will monitor its Mark to Market exposure in respect of interest rate management instruments and ensure that cash resources are available to meet potential collateral calls in tandem with 1.2.1 above to prevent risk of cross default on loan agreement.
- 1.2.3 The Association will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.
- 1.2.3 The detailed parameters within which CVHA will seek to operate are set out in [Schedule S1.2](#).

### **TMP1.3 Interest rate risk management**

- 1.3.1 CVHA will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements, as amended in accordance with [TMP6 \(Reporting requirements and management information](#)

[arrangements](#)), and so as to ensure that it is able to comply with the financial covenants applying to its borrowings.

1.3.2 The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

#### **TMP1.4 Exchange rate risk management.**

1.4.1 The Association will not expose itself to any exchange rate risk.

#### **TMP1.5 Refinancing risk management**

1.5.1 CVHA will ensure that its borrowing, private financing, and partnership arrangements are negotiated, structured, and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

1.5.2 It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

1.5.3 The Association will continually monitor its ability to comply with any and all financial covenants applying to its borrowings, so as to ensure that it is not subject to any unplanned refinancing risk.

1.5.4 CVHA's current position on refinancing risk is set out in [Schedule S1.5](#).

#### **TMP1.6 Legal and regulatory risk management**

1.6.1 CVHA will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

1.6.2 In framing its credit and counterparty policy under [TMP1.1 \(Credit and counterparty risk management\)](#), it will ensure that there is evidence of counterparties' powers, authority, and compliance in respect of the transactions they may affect with the Association, particularly with regard to duty of care and fees charged.

1.6.3 The Association recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.6.4 [Schedule S1.6](#) identifies the key legislative and regulatory framework within which the Association currently operates.

#### **TMP1.7 Fraud, error and corruption, and contingency management**

1.7.1 CVHA will ensure that it has identified the circumstances, which may expose it to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and

procedures, and will maintain effective contingency management arrangements, to these ends.

**TMP1.8 Price risk management**

1.8.1 CVHA will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

**TMP1.9 Inflation risk management**

1.9.1. CVHA will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

**TMP1.10 Non-treasury investment risk**

1.10.1. The Association recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

1.10.2. The Association will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

1.10.3. The Association will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures, and liabilities including financial guarantees and the Association's risk exposure.

## **TMP2: Performance Measurement**

- 2.1 The Association is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.
- 2.2 Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.
- 2.3 The procedures used to ensure best value and the performance measures used are set out in [Schedule S2](#) to this document.

## **TMP3: Decision-making and Analysis**

- 3.1 The Association will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in [Schedule S3](#).

## **TMP4: Approved Instruments, Methods, and Techniques**

- 4.1 CVHA will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in [Schedule S4](#) to this document, and within the limits and parameters defined in TMP1 (*Risk Management*).
- 4.2 Where the organisation intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. CVHA will seek proper advice and consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

## **TMP5: Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements**

- 5.1 CVHA considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.
- 5.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
- 5.3 If and when CVHA intends, as a result of lack of resources or other circumstances, to depart from these principles, the F&CSD will ensure that the reasons are properly reported in accordance with [TMP 6 Reporting requirements and management information arrangements](#), and the implications properly considered and evaluated.



- 5.4 The F&CSD will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangement for absence cover. The present arrangements are detailed in Schedule S5 to this document.
- 5.5 The delegations in respect of treasury management are set out in the schedule to this document. The F&CSD will fulfil all such responsibilities in accordance with the Association's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*.

#### **TMP6: Reporting Requirements and Management Information Arrangements**

- 6.1 CVHA will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.
- 6.2 As a minimum, CVHA's Board will receive:
- An annual report on the strategy and plan to be pursued in the coming year;
  - An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs; and
  - Exception reports on a timely basis of any breach or potential breach of the organisation's financial covenants with lenders, which is likely to have a material adverse effect upon the organisation's finances and continued operation.
- 6.3 The Audit Committee will receive regular monitoring reports on treasury management activities and risk.
- 6.4 The Board will have responsibility for the operation review of treasury management policies and practices.
- 6.5 The present arrangements and the form of these reports are detailed in Schedule S6 to this document.

#### **TMP7: Budgeting, Accounting and Audit Arrangements**

- 7.1 The F&CSD will prepare, and the Board will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matter to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with [TMP1 \(Risk management\)](#), [TMP2 \(Performance measurement\)](#), and [TMP4 \(Approved instruments, methods and techniques\)](#). The form which the Association's budget will take is set out in Schedule 7 to this document. The F&CSD will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with [TMP6 \(Reporting requirements and management information arrangements\)](#).

- 7.2 CVHA will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Association's accounts is set out in [Schedule S7](#) to this document.
- 7.3 CVHA will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in [Schedule S7](#) to this document.

**TMP8: Cash and Cash Flow Management**

- 8.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Association will be under the control of the F&CSD and will be aggregated for cash flow and investment management purposes as per delegated authorities and devolved budgets. Cash flow projections will be prepared on a regular and timely basis, and the F&CSD will ensure that these are adequate for the purposes of monitoring compliance with [TMP1.2 \(Liquidity risk management\)](#). The present arrangements for preparing cash flow projections, and their form, are set out in [Schedule S8](#) to this document.

**TMP9: Money Laundering**

- 9.1 CVHA is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in [Schedule S9](#).

**TMP10: Staff Training and Qualifications**

- 10.1 CVHA recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills. The F&CSD will recommend and implement the necessary arrangements. The present arrangements are detailed in [Schedule S10](#).
- 10.2 The Chief Executive will ensure that Board members tasked with treasury management responsibilities, including those responsible for scrutiny, will undertake training relevant to their needs and those responsibilities.
- 10.3 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

**TMP11: Use of External Service Providers**

- 11.1 CVHA recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources.

- 11.2 When it employs such service providers, it will ensure it does so for reasons, which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.
- 11.3 It will ensure, where feasible and necessary, that a spread of service providers is used to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Board, and details of the current arrangements are set out in [Schedule S11](#) to this document.

#### **TMP12: Corporate Governance**

- 12.1 CVHA is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity, and accountability.
- 12.2 The Association has adopted and has implemented the key recommendations of the Code. This, together with the other arrangements detailed in [Schedule S12](#) to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the F&CSD will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

**The Schedules set out on the following pages are intended to detail the systems and routines to be employed, and the records to be maintained, in support of the TMPs given above. The Schedules have been prepared by reference to the Association's existing policies and procedures framework.**

## **Schedules to the Treasury Management Practices**

## Schedule S1.1(1): Counterparty Policy (Investments)

*In the Code, CIPFA defines credit and counterparty risk as "the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources".*

CVHA will manage its **credit and counterparty risk with respect to investments and deposits** in the following way:

- S1.1(1).1 The Association looks to the Finance and Corporate Services Director ("F&CSD") to be responsible for the Association's investments of surplus cash.
- S1.1(1).2 In investing surplus cash balances the objective is to optimise returns to the Association while meeting the overriding need to protect the capital sum. That is, in balancing the risk against return, the Association is more concerned to avoid risk than to maximise return.
- S1.1(1).3 Surplus funds will be invested overnight or for a term period. Such deposits will be minimised while the Association continues to have a net borrowing requirement.
- S1.1(1).4 The following are approved investment instruments:

### **Liquid Funds (available within 7 days' notice)**

- Call and other deposits held with Banks, Building Societies and Local Authorities
- Money market funds rated "AAA" (i.e., highest credit quality)

### **Near Liquid Funds (available within 7 days' and one month's notice)**

As above plus:

- Treasury Deposit Accounts
- Notice Deposit Accounts
- Loans to Local Authorities
- Local Authority Bills

### **Short-Term Funds (available within one to twelve months)**

As above plus:

- UK Government Securities (Treasury Bills and Gilts)

- S1.1(1).5 The F&CSD is responsible for the provision of adequate internal controls, including:
- Up-to-date signatory mandates authorising bank transfers
  - Procedures for deal authorisation in respect of derivatives and other similar transactions
  - Regulation of access cards for electronic transmission
  - Ensuring that segregation of duties is maintained such that separate staff are involved in dealing and deal-checking activities

S1.1(1).6 In all cases, a deal will be documented showing, as appropriate:

- Amount
- Dealing date
- Type of transaction
- Counterparty
- Period
- Interest rate
- Payment date
- Commission
- Transmission arrangements
- Sign-off by both dealer and listener

S1.1(1).7 Deal tickets should be signed as authorised and filed accompanied by the counterparty's confirmation as appropriate.

S1.1(1).8 Officers have a responsibility to keep abreast of market movements and developments.

S1.1(1).9 The F&CSD will be responsible for ensuring relevant staff are adequately trained.

S1.1(1).10 The Association can only invest with the following counterparties:

- The UK Government
- Local Authorities excluding those whose budgets have either been designated or nominated for capping by Government
- The Bank of England
- The following UK banks and building societies:

Barclays Bank plc

Virgin Money plc

HSBC Bank plc

Lloyds Banking Group, including Bank of Scotland plc

Nationwide Building Society

The Royal Bank of Scotland plc

Santander UK plc (ultimately owned by Banco Santander, SA)

Scottish Widows (Charity Account) – subsidiary of Lloyds Banking Group

S1.1(1).11 The Association's funds to be invested in the above organisations will be restricted to the following policy:

- Maximum period of 12 months.
- Maximum investment limit of £5 million per organisation.
- The maximum sum invested in any one organisation is inclusive of any sum invested in its subsidiaries. Any subsidiaries selected for investment must be approved by the Board before the Association invests in them.
- To allow for occasions when no other deals are available, investment in the Association's principal banker, should be unlimited for periods of up to seven days.

S1.1(1).12 Should the Association have monies deposited with an institution that is subsequently removed from the list set out in S1.1(1).10 above, the investment should be withdrawn from the institution at maturity.

S1.1(1).13 The investment activity will be reviewed by the Board on a periodic basis in accordance with the provisions of [Schedule S6](#).

S1.1(1).14 The Association will not lend money to members or staff.

## **Schedule S1.1(2): Counterparty Policy (Lenders)**

The Association will manage its **credit and counterparty risk with respect to lenders** in the following way:

S1.1(2).1 CVHA currently has a £80 million syndicated loan facility arranged by Bank of Scotland plc (now part of Lloyds Banking Group) and Barclays Bank plc being a restatement of the previous facility arranged in August 2007 as amended in June 2010 and August 2017. Repayment of this facility started in 2019 with £13.2m being repaid thus the facility is now £66.8m.

CVHA also has a private placement for £70m with Canada Life. The full £70m is now fully drawn.

In addition, CVHA has a £20m Revolving Credit Facility (RCF) with Bank of Scotland plc.

This means total debt at any one time will not exceed £156.8m.

CVHA's overriding principle with respect to borrowing is to borrow at minimum cost consistent with ensuring the stability of the Association's long-term financial position by sound debt management techniques.

S1.1(2).2 In general terms, the Association will seek at all times to have facilities in place for long-term finance sufficient to meet its committed capital programme. The Association will not enter into contracts for works unless long-term finance is available. If additional facilities are required, a report shall be prepared by the F&CSD as required by S1.1(2).6 below.

S1.1(2).3 The Association may currently borrow from:

- Banks
- Building Societies
- UK Local Authorities (excluding any subject to Council Tax capping)
- The capital markets (i.e., bond finance/private placements)
- Not-for-profit specialist intermediaries such as The Housing Finance Corporation
- Commercial specialist intermediaries such as GB Social Housing.

S1.1(2).4 Loan facilities will be arranged with organisations of professional standing that are judged to have sufficient financial strength to ensure that the funds committed are available when they are required in accordance with the terms of the loan agreement. This will normally mean that lending organisations are of investment grade at least and are able to demonstrate a long-term commitment to the Social Housing sector.

S1.1(2).5 The F&CSD will undertake borrowing activities on behalf of the Association. The F&CSD cannot commit the Association to any new borrowing facilities for capital purposes without obtaining the specific authority of the Board.

S1.1(2).6 The F&CSD will prepare for the Board a report for each proposed capital borrowing. The report will include:

- A summary of the purpose of the proposed borrowing



- The name of the proposed lender or arranger
- The credit rating of the proposed lender
- The legal and regulatory status of the proposed lender
- Interest rate structure - fixed, variable, variable with options to fix, index-linked, deferred interest
- Interest rate payable plus lender's margin
- Arrangement and associated fees
- Security arrangements - including the basis of valuation the property to be charged
- Prospective cash flows
- Comparison with alternatives
- Compliance with the Association's overall borrowing strategy
- Arrangements for drawdown
- Any other matters which might assist the Board in considering the proposal
- Any independent professional financial and legal advice
- Covenant requirements and an analysis of the Association's ability to meet them

S1.1(2).7 The Association will borrow sufficient monies to meet its known and reasonable requirements for liquidity. It will not borrow substantial amounts of money in advance of these requirements unless there is a clear demonstrable reason for doing so.

S1.1(2).8 The Association will borrow by overdraft, loan agreement, bonds or loan stock, lease, hire purchase or conditional sale agreement.

S1.1(2).9 The Association will not borrow funds in which its repayments of principal or interest are in currencies other than pounds sterling, or which involve any exchange rate risks.

S1.1(2).10 When arranging long-term finance, the Association will undertake a “tendering” process. The tender list will be approved by the Refinancing Sub Committee, which has delegated authority and is a subset of the Board. A “tendering” process will not be entered into where the Association decides to participate in one of the less conventional methods of raising finance, i.e., a bond issue or a leasing arrangement. The decision to participate in such transactions will ultimately be approved by the Board, on the basis of an Option Appraisal prepared by the F&CSD and external professional advice.

S1.1(2).11 The current authority levels for borrowings have been set at:

	<b>Drawdown from Long-Term Facilities</b>		<b>Short-term/ Overdraft and Business Loans</b>
	<b>Fixed Rate Periods</b>	<b>Variable Rate Periods</b>	
Up to 3 months	F&CSD or Chief Executive	Not applicable	F&CSD or Chief Executive
Over 3 months up to 1 year	F&CSD or Chief Executive	F&CSD or Chief Executive	F&CSD or Chief Executive
Over 1 year	Three from the following: <ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• F&amp;CSD</li> </ul>	Three from the following: <ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• F&amp;CSD</li> </ul>	Not applicable

	<b>Drawdown from Long-Term Facilities</b>		<b>Short-term/ Overdraft and Business Loans</b>
	<b>Fixed Rate Periods</b>	<b>Variable Rate Periods</b>	
	<ul style="list-style-type: none"> <li>• Chair of Audit Committee</li> <li>• Chairman of Board</li> </ul>	<ul style="list-style-type: none"> <li>• Chair of Audit Committee</li> <li>• Chairman of Board</li> </ul>	
<p>Notes:</p> <ol style="list-style-type: none"> <li>1. Debt profiles will be reviewed on a regular quarterly basis by the Audit Committee</li> <li>2. Any facilities and/or participation in bond issues, and the terms of such arrangements, will be authorised and agreed in the first instance by the Board.</li> </ol>			

## Schedule S1.2: Liquidity Risk Management

*In the Code, CIPFA defines liquidity risk as "the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised".*

The Association will manage its **liquidity risk** in the following way:

- S1.2.1 The Association looks to the F&CSD to ensure that sufficient cash balances and appropriate long-term borrowing and standby facilities are in place. These shall provide the level of funds necessary to enable the Association to meet its obligations as they fall due and to support the business plan and enable the Association to achieve its approved business/service objectives in the future.
- S1.2.2 The F&CSD will calculate the minimum liquidity required as part of the annual budget process and the Board will approve minimum liquidity requirements as part of the Annual Treasury Strategy subject to liquidity levels not falling below:
- Liquid Funds – a minimum of the forecast outflow for the next calendar month;
  - Near Liquid Funds – a minimum of the forecast cash outflow for the next two calendar quarters; and
  - Short-Term Funds – a minimum must be available to meet half the sum of all creditors falling due within one year, with the exception of Facility B loans.
- S1.2.3 The Association regards Liquid Funds as:
- Cash at its bank or on deposit which is available at up to seven days' notice;
  - Undrawn committed facilities which have been secured to the satisfaction of the funder and which are available for drawdown within seven days;
  - Overdraft facilities; and
  - Any combination of the above.
- S1.2.4 The Association regards Near Liquid Funds as:
- Cash on deposit with notice periods of between seven days and one month; and
  - Undrawn committed facilities where security is available and not otherwise committed and can be charged to the satisfaction of the funder within one month.
- S1.2.5 The Association regards Short-Term Funds as:
- Cash on deposit for periods of one month to three months; and
  - Undrawn committed facilities where security has been nominated but will not be available within one month.
- S1.2.6 The Association will be required to keep within approved overdraft limits.

- S1.2.7 The Association will look to the F&CSD to prepare an annual forecast of the Association's cash flows as part of the 30 Year Business Plan process which will highlight the first five years.
- S1.2.8 The F&CSD will work to an annual strategy for investing surplus funds where appropriate and drawing additional funds to cover working cash and capital investment requirements.
- S1.2.9 In accordance with [Schedule S6](#) the Finance Function manages cash flows on a daily basis with reference to daily bank balances and estimated outgoings. The Finance Department will prepare a daily rolling forecast of the projected cash balances highlighting short-term surplus cash and borrowing requirements of the Association for the F&CSD for the purposes of applying the strategy on a day-to-day basis.
- S1.2.10 The F&CSD has delegated authority to deposit surplus funds, draw additional loans, repay revolving loans, and use the Association's overdraft facilities - subject to compliance with current mandates - to ensure that the Association's cash flow is managed effectively in support of the business and in accordance with the Treasury Management Policy Statement and Treasury Management Strategy. The F&CSD must interpret current economic factors in the wider environment to ensure that adequate cash resources are available at all times as appropriate.

## Schedule S1.3: Interest Rate Risk Management

*In the Code, CIPFA defines interest rate risk as "the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately".*

The Association will manage its **interest rate risk** in the following way:

S1.3.1 The Association has determined that its loan portfolio should include a mix of hedged and un-hedged interest rates to provide:

- An appropriate spread of risk; and
- Appropriate protection against the effects of adverse movements in interest rates.

S1.3.2 The F&CSD is responsible for monitoring the Association's interest rate exposure in respect of its surplus funds and borrowings, and for determining the interest rate strategy within the limits set.

S1.3.3 The following interest rate exposure policy shall be applied until further notice in respect of total debt outstanding:

<b>Proportion of total debt to be protected</b>	<b>Min</b>	<b>Max</b>
Interest rates protected	50%	100%
Unprotected proportion	0%	50%

*With respect to interest rate swaps or fixed rates under which the counterparty has the right but not the obligation to terminate the hedging arrangement on one or more occasions prior to maturity (i.e., "cancellable" or "callable" swaps or fixed rates):*

*where the counterparty's next option to terminate falls within 12 months, the hedging transaction will be regarded as forming part of the Association's Unprotected debt.*

*Due to the continuation of historic low interest rates the Association has assumed that callable debt which has an option to terminate in the next 12 months will not be terminated due to the high rates in these trades. The Association completed a 32 year, £70m Private Placement in June 2018 at a fixed rate for the duration of the deal. There is no intention therefore to apply any additional hedging in the short to medium term.*

**As at the date of this document, the proportion of total debt being protected was 77.6%.**

The Association will aim to ensure that it is not exposed to re-pricing risk on more than 33% of its interest rate protection in any one financial year.

S1.3.4 The Association may enter into loan arrangements that incorporate interest rate swaps, caps, collars and/or other interest options, which allow it to manage its interest rate risk without the need for any separate hedging instrument to be entered into.

S1.3.5 Interest rate derivative hedging instruments may be used independently of borrowing facilities to manage interest rate exposure. For the purposes of this

policy statement, interest rate hedging instruments include both "interest options" incorporated in loan arrangements and freestanding interest rate derivative hedging instruments. Authorised instruments are:

- Interest rate options incorporated in variable rate loan agreements
- Interest rate swaps
- The purchase of swaptions
- Forward Rate Agreements ('FRAs') and the purchase of options on FRAs
- The purchase of interest rate options and interest rate caps and collars.

The writing of interest rate options is not permitted, except in the following circumstances:

- To close out fully, or in part, an existing purchased option (in which case the written option must match the strike price and maturity date of the purchased option and be of an equal or lesser principal amount); or
- As part of an interest rate collar (which incorporates the sale of an interest rate floor) that, as a whole, reduces the Association's interest rate exposure.

S1.3.6 The use of interest rate hedging instruments must be approved on a case-by-case basis by The Board where appropriate. Proposed new hedging instruments must be confirmed as being intra vires by the Association's solicitors before approval.

S1.3.7 The Board, where appropriate, in considering whether to approve the use of interest rate hedging instruments, will, where appropriate, seek advice from suitably qualified independent expert professional persons. This advice must have regard to:

- The Association's anticipated net payment obligations which it seeks to hedge, either in relation to individual loans and deposits or the borrowing/investment portfolio as a whole;
- The payment of obligations proposed under the hedging transaction;
- The terms and conditions of the hedging transaction;
- The Association's actual and projected annual income and expenditure position and the benefits of the proposed hedging transaction. This will include, for example, an analysis of the effect of movements in interest rates on the Association's floating rate interest costs;
- The suitability and, in particular, the credit standing of the proposed counterparty for the deal;
- The Rules of the Association; and
- Any relevant regulatory guidance.

S1.3.8 The Board must consider and, if appropriate, re-approve a proposed hedging transaction if events in the financial markets or changes to the Association's forecast borrowing position occur which materially affect the assumptions on which approval was originally given to enter into a hedging transaction.

S1.3.9 All interest rate hedging transactions must be denominated in pounds sterling.

S1.3.10 The Association will satisfy itself that a counterparty is authorised to deal in derivative instruments by the appropriate regulatory authority and that the derivative transaction is legally binding before entering into such transactions with any counterparty. The Association will enter into a master trading agreement (such as that issued by ISDA) with each counterparty. This agreement will be subject to review by the Association's lawyers.

The Association currently has entered ISDA Master Agreements with the following:

- Barclays Bank plc
- HBOS Treasury Services plc (now part of Lloyds Banking Group)

S1.3.11 Hedging transactions may only be arranged by Association personnel authorised to arrange such transactions by the current dealing mandate.

S1.3.12 All interest rate hedging transactions must be offered competitively by at least two banks/hedging counterparties and the rates quoted must be recorded along with the full details of the transaction undertaken. Where this is not practicable and only one bank/hedging counterparty is quoting, the Association should seek to assess the reasonableness of any rates or prices quoted by the bank/hedging counterparty with an independent party, e.g., the Association's treasury management advisors.

S1.3.13 Each transaction must be confirmed on a deal ticket to the counterparty within one working day of the dealing date. Such confirmation must bear the signatures of two authorised signatories, one of whom must be the F&CSD.

S1.3.14 Counterparties will be required to confirm transactions in writing to the Association. Such confirmations must be sent to the F&CSD, who will be responsible for reconciling them with the Association's records.

S1.3.15 The F&CSD will report to each Audit Committee meeting with full details of current and forecast exposure levels and hedging actions in place.

S1.3.16 Derivative positions will be marked-to-market on at least a weekly basis to measure the exposure to counterparties and to assess the financial effects of hedging transactions.

Where the Association has entered into an ISDA Master Agreement enabling it to enter into transactions in derivative instruments on a freestanding (or "stand-alone") basis, the timing and frequency of mark-to-market valuations will reflect the timing and frequency agreed with the ISDA counterparty concerned, and copies of the latter's valuations will be submitted to professional advisors for comment.

The Association will also discuss and agree with such counterparties the basis on which the Association will satisfy any requirements imposed on it by the European Markets and Infrastructure Regulation ("EMIR"), which came into force as binding law within the European Union in August 2012.

S1.3.17 Interest rate management shall be reviewed in the Association's Annual Treasury Strategy and any proposed changes to the parameters shall be presented at that time. The proportions and costs of hedged and unhedged loans will be presented in the Treasury Report every quarter in accordance with the timetable set out in [Schedule S6](#).

S1.3.18 Matters to be considered in reviewing interest rate management are:

- The powers of the Association;
- The current level and structure of the Association's overall interest rates;
- The degree of certainty and volatility in the cash flow forecast;
- Estimates of future movements in the level of interest rates; and
- The methods, techniques, and instruments available to manage existing and future exposure.



## Schedule S1.5: Refinancing Risk Management

*In the Code, CIPFA defines refinancing risk as "the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time".*

S1.5.1 The Association will manage its **refinancing risk** by aiming to have no more than 20% of the Association's loan facilities being repayable within any 12-month period. This will guard against having significant exposure to the prevailing market conditions at any one time. Where facilities are revolving throughout the term and are subject to an expected repayment profile these are excluded from this percentage.

S1.5.2 Loan maturity profiles are to be reported in accordance with [Schedule S6 \(Treasury Management Reports\)](#).

## Schedule S1.6: Legal and Regulatory Risk Management

In the Code, CIPFA defines legal and regulatory risk as "the risk that the organisation itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly".

The Association will manage its **legal and regulatory risk** in the following way:

- S1.6.1 The Association is registered with:
- The Scottish Housing Regulator as a Registered Social Landlord (Registration No. 291)
  - Companies House (Registration number SP2489RS).
  - The Financial Conduct Authority for the Co-operative and Community Benefits Societies Act 2014.
  - The Office of the Scottish Charities Regulator (No. SC037244).
- S1.6.2 The Association will only undertake activities in compliance with the regulations issued by these bodies, and in compliance with the Association's financial regulations and standing orders.
- S1.6.3 The Association's policies and practices meet the requirements contained in The Scottish Housing Regulator's "*Regulation of Social Housing in Scotland – Our Framework*", issued in February 2019 and subsequently revised with effect from 1 April 2019, which requires the Association to operate a viable business, with adequate recourse to financial resources to enable it to achieve its objectives.
- S1.6.4 The Association's policies and practices also follow the guidance set out in The Scottish Housing Regulator's "*Treasury Management – Recommended Practice*".
- S1.6.5 The Association adopts the key principles and recommendations of the CIPFA Code as defined above and will seek to work to any appropriate guidance on best practice issued by its regulatory and/or the professional accountancy bodies.
- S1.6.6 The Association may enter into interest rate caps, floors, collars, swaps, and forward rate agreements, utilising any instruments "embedded" within existing, approved loan agreements.
- The Association may also enter into permitted transactions in permitted financial derivative instruments on a stand-alone basis subject to the prior completion of the appropriate legal documentation and the prior consent of the Board for the derivative transaction contemplated being obtained.
- S1.6.7 Prior to entering into any borrowing or interest rate management transaction it is necessary for the F&CSD to be satisfied, by reference (if necessary) to the Association's legal advisors, that the proposed borrowing or transaction does not breach any statute, external regulation, the Association's Rules, the Association's own financial regulations or the terms and conditions of any existing funding agreement, prior to seeking Board approval.
- S1.6.8 Prior to entering into any treasury agreement with a counterparty, all reasonable steps will be taken to verify the powers of that counterparty to enter into such agreements, and such evidence as may be required will be sought.
- S1.6.9 A number of elements of the Association's finances are impacted directly and indirectly by the policies of central government. These include rental income, Social Housing Grant, and sales of properties through Right to Buy.

- S1.6.10 The Rules of the Association limit the overall borrowing to a maximum of £250,000,000 (Two Hundred and Fifty Million Pounds Sterling).
- S1.6.11 Details of the legislative and regulatory framework within which the Association operates, and copies of its constitutive documents will be provided to potential and/or existing counterparties, where these may be reasonably requested for the purposes of entering into treasury arrangements with the Association.

## **Schedule S1.7: Systems and Procedures to protect against Fraud, Error, and Corruption**

*In the Code, CIPFA defines the risk associated with fraud, error and corruption, and contingency management as "the risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk".*

The Association will manage its **risks associated with fraud, error and corruption, and contingency management** in the following way:

- S1.7.1 The Association's treasury activities will be performed within a strictly controlled environment to minimise the risk of loss through counterparty failure, speculation, fraud, or error.
- S1.7.2 Counterparty risk will be controlled by restricting investment and interest rate risk hedging transactions to authorised counterparties
- S1.7.3 Transactions may only be arranged with counterparties within the limitations of amount, period and currency as authorised from time to time by the Board. Any breach of these limits must be reported to the F&CSD and Chair of the Board and it is identified and to the full Board at its next meeting.
- S1.7.4 In exceptional cases, it may be necessary to exceed a counterparty or transaction limit. Authority to exceed a limit must be obtained in writing, on a case-by-case basis, from either the Chief Executive or the F&CSD or Board before the transaction is entered into.
- S1.7.5 Dealing and transfer arrangements must be in accordance with the mandate in force with the counterparty.
- S1.7.6 Any breach or attempted breach of a mandate, either by the Association's personnel or a counterparty, must be reported to the Chief Executive as soon as it is identified and to the Board at its next meeting.
- S1.7.7 The specified documentation (deal tickets and confirmation letters) will be completed to provide a full record of each transaction.
- S1.7.8 Duties will be segregated to ensure that no one individual can carry out the dealing, confirmation, accounting, settlement, reconciliation, and reporting functions independently and without scrutiny. (Counterparties will be contacted if no confirmation has been received within five business days of the dealing date).
- S1.7.9 Computer systems will be protected against unauthorised access by means of personal passwords.
- S1.7.10 Data held on computer systems will be saved at frequent intervals and stored securely.
- S1.7.11 The F&CSD is to be updated weekly of day-to-day activities of the treasury management function and consulted when extraordinary circumstances occur. The Audit Committee will be reported to on a quarterly basis.

S1.7.12 Operating systems shall be kept under constant review by those responsible for the treasury management function and procedures revised where circumstances dictate.

## Schedule S1.8: Market Risk Management

*In the Code, CIPFA defines market risk as "the risk that, through adverse market fluctuations in the value of the principal sums an organisation invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately".*

- S1.8.1 The Association will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse fluctuations in the value of the principal sums that it invests and will accordingly seek to protect itself from the effects of such fluctuations.
- S1.8.2 The Association will only invest in the instruments detailed at [Schedule S4](#).
- S1.8.3 The Association will not invest without Board approval based on professional advice from a suitably qualified and experienced advisor in any instrument where the value of the principal sum may reduce.

## Schedule S2: Performance Measurement

*In the Code, CIPFA "advocates the principle that all public service organisations should create appropriate methods by which the performance of their treasury management activities can be measured. They can thereby help to judge whether they are gaining best value from the resources devoted to these activities, particularly in meeting their wider business and service objectives".*

*CIPFA "recognises the difficulties organisations face in achieving an appropriate balance between risk containment and best value but believes that the overriding need for effective risk management should be reflected in their treasury policy statement and treasury management practices."*

The Association's approach to achieving best value in its treasury management activities is set out below:

- S2.1 The Association will look to the F&CSD to review banking transactions and the level of banking charges and, as appropriate, assess where any efficiencies might be achieved.
- S2.2 The F&CSD will monitor cash balances and the returns on investments to ensure that the current methods and instruments being utilised continue to represent good value for the Association. Consideration will be given to alternative methods of investment, and whether they might be used to increase the level of return. Treasury will consider all relevant factors, including security, dealing and transaction costs.
- S2.3 The F&CSD will periodically review the Association's loan facilities to assess whether they continue to provide best value, or whether advantage might be taken of alternative sources or methods of finance. The review will include, as far as practicable, the following performance measures:
- The margins and other borrowing costs on the Association's existing and new loans compared to those currently being provided to similar organisations;
  - The interest rates on the Association's existing and new loans compared to current market rates, taking into account the cost of breaking/unwinding existing positions;
  - The financial covenants applying to the Association's existing and new facilities compared to those applying to new facilities being provided in the market to similar organisations;
  - The requirements for loan security applying to the Association's loans compared to those attaching to new facilities being provided to similar organisations; and
  - The costs applicable to any loan facilities.
- S2.4 Best value in external treasury services will be sought by monitoring performance and by reviewing those services on a periodic basis as appropriate. In assessing the value added by the providers of external treasury services, account will be taken of all relevant factors, including the cost, quality, reliability, and scope of

service to be provided. The Association's Procurement policies will apply in the event of a re-tendering exercise.

S2.5 The F&CSD will continuously review the performance measures and procedures used. In delivering best value, attention will be paid to the recommendations as outlined in the treasury strategy. Advice will also be sought from external consultants to ensure that the Association's procedures are efficient, and that reporting is in accordance with the principles laid down in Schedule S6.



## Schedule S3: Decision-Making Processes and Analysis

*In the Code, CIPFA "considers it vital that the treasury management decisions of organisations in the public services should be subjected to prior scrutiny. It also believes that records should be kept of the processes and the rationale behind those decisions. This is necessary not only for the purpose of allowing a historical assessment of the effectiveness of such decisions, but also as a means of ensuring that appropriate checks and safeguards are in place in the event... of it becoming necessary to demonstrate the legality or probity of transactions. However, in determining the records to be kept, realism is needed to avoid creating a system that may overburden resources and outweigh the potential benefits."*

- S3.1 The Association will look to the F&CSD to ensure that consideration is given to all relevant factors when making decisions. These will include:
- The powers of the Association
  - Costs
  - Budgetary constraints
  - Business plan parameters and projections
  - Prevailing market conditions
  - Economic forecasts
  - Available funding options and treasury management instruments
  - Covenants
  - Control
- S3.2 The treasury management decisions made will be properly minuted and recorded as a continuing audit trail in Treasury's quarterly reports.
- S3.3 All decisions will be taken within the parameters of the Treasury Policy and Strategy.
- S3.4 Decisions as to lending and borrowing of funds are delegated to the F&CSD in accordance with the provisions of [Schedule S5](#).

**Schedule S4: Approved Instruments and Techniques**

*In the Code, CIPFA is of the view that "organisations need to consider carefully whether they are equipped with the skills and experience to evaluate and control the risks and advantages associated with using the instruments available to them before including them in their approved list, even if they are legally permitted to do so. This principle applies to investment, to borrowing and other means of raising capital and project finance, and to the use of off-market or financial derivative instruments such as interest rate swaps. In certain parts of the public services, notably registered social landlords, regulation prescribes formal processes to determine whether a particular organisation should be allowed access to the fully range of instruments available to them. Whether this is or is not a feature of an organisation's regulatory controls, CIPFA believes that an organisation should regularly make an assessment of its treasury management skills and resources when reviewing its approved list."*

The Association's **approved instruments, methods and techniques** are as follows:

S4.1 The Association's **approved instruments and techniques** are as follows:

<b>Approved Instruments - Investment</b>
Call and other deposits held with Banks, Building Societies and Local Authorities (excluding those that are Council Tax-capped) Money market funds rated "AAA"
Treasury Deposit Accounts Notice Deposit Accounts Loans to Local Authorities Local Authority Bills UK Government Securities (Treasury Bills and Gilts)

<b>Approved Instruments - Borrowing</b>
Bank/Building Society Mortgage/Term Loan Revolving Credit Facility Bank Overdraft Debentures, Bonds or Loan Stock Lease, Hire Purchase or Conditional Sale Agreement

<b>Approved Techniques – Borrowing</b>
Variable interest rate loans (LIBOR or any successor thereto) Variable interest rate loans (Base Rate) Fixed interest rate loans Maximum (i.e., "capped") interest rate loans Maximum-Minimum (i.e., "collared") interest rate loans Forward-starting fixed rate loans Callable/Cancelable/Extendable fixed rate loans Index-linked/inflation-linked loans

S4.2 No other instrument other than those listed above may be used. All instruments will be denominated in Pounds Sterling.

S4.3 None of the above instruments may be used until the F&CSD is satisfied that the Association has the lawful power to do so.

S4.4 The F&CSD undertakes the execution of interest rate management transactions on behalf of the Association. Delegated authority is required from the Board for each generic transaction type.

S4.5 Prior to entering into any interest rate management transaction, the Association shall obtain and consider proper advice from a suitably qualified person. Such advice must consider:

- Fluctuations of variable interest rates payable on the Association's borrowings;
- The Association's ability to meet the payment obligations of the variable rate borrowings during the term of the transaction if the transaction was not entered into;
- The payment obligations of the transaction; and
- The Association's projected Income and Expenditure position.

S4.6 The F&CSD is authorised to negotiate the terms upon which interest rate management transactions can be secured. The entering into an interest rate management transaction or other transaction that will commit the Association to fees, costs or interest can only happen with the delegated authority of the Board, which will normally have been given at the time that the hedging policy of the organisation has been approved as part of the overall Treasury Strategy.

To secure the authority of the Board when the transaction falls outside the existing approved Treasury Strategy, the F&CSD will have to prepare a report to include the following as a minimum:

- Type of interest rate management transactions proposed;
- Term of the interest rate management transactions;
- Amount to be covered by the interest rate management transactions;
- Objectives of the interest rate management transactions including cash flows where appropriate;
- Details of counterparty(s) approached;
- Comparison to the alternatives available to hedge the risk with a report from a suitably qualified external adviser;
- Fees and expenses;
- Security requirements (including any provision for 'top up' security);
- Covenants;
- The counterparty's credit standing or details of any guarantee that will be available;
- The limit (e.g., maximum interest rate) proposed;

- (Where applicable) legal opinion as to the documentation proposed and its compliance with the Association's Rules; and
- Any other matters that may assist the Board.

## Schedule S5: Responsibility for Treasury Management

*In the Code, CIPFA "considers that there are certain organisational features that should be commonly applied to the treasury management activities of all public service organisations, regardless of their size, functions and resources. These relate both to the boards/councils responsible for creating and monitoring policy issues, and to the officers responsible for managing and executing decisions.*

*The Code recommends the adoption of the following:*

*"This organisation (i.e., full board/council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs.*

*This organisation delegates responsibility for the execution and administration of treasury management decisions to Finance and Corporate Services Director, who will act in accordance with the organisation's policy statement and TMPs, and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management."*

S5.1 The Board maintains overall responsibility for the Association's key treasury policies, procedures, and operations. It also delegates authority to its Chief Executive and F&CSD in accordance with the following scheme.

### SCHEME OF DELEGATION FOR TREASURY MANAGEMENT MATTERS

Delegated Power	Exercised by
<ul style="list-style-type: none"> <li>• Approval and amendment of key policies, procedures, and delegation of authority</li> </ul>	Board
<ul style="list-style-type: none"> <li>• Approval of treasury strategy</li> </ul>	Board
<ul style="list-style-type: none"> <li>• Approval and acceptance of all investment and funding agreements</li> </ul>	Board
<ul style="list-style-type: none"> <li>• Approval of short-term overdraft facilities</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• Approval of bank and dealing mandates, authorised signatories, and specified limits</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• Approval of new bank accounts</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• Approval of the use of risk management instruments</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• Review of the quarterly Treasury Report, which sets out, inter alia, variations to the Treasury Strategy</li> </ul>	Audit Committee
<ul style="list-style-type: none"> <li>• Presentation and implementation of the Treasury Strategy</li> </ul>	Finance and Corporate Services Director

<b>Delegated Power</b>	<b>Exercised by</b>
<ul style="list-style-type: none"> <li>• Delivery of periodic treasury reports to the Board and Audit Committee</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• BACS and CHAPS transactions and cash transfers</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• Investments</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• Execution of all loan agreements</li> </ul>	Board
<ul style="list-style-type: none"> <li>• Execution of deeds of change</li> </ul>	Board
<ul style="list-style-type: none"> <li>• Drawdown of loans from approved loan facilities</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• Implementation of approved risk management instruments</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• Supervision of bank and dealing mandates</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• Closing of dormant bank accounts</li> </ul>	Finance and Corporate Services Director
<ul style="list-style-type: none"> <li>• Ensuring that the “back office” function regularly reconciles the Association’s bank accounts and checks transactions</li> </ul>	Finance and Corporate Services Director

## Schedule S6: Treasury Management Reports

*A key recommendation of the Code is that an organisation's treasury management policy statement should specify formal reporting arrangements by the responsible officer to the full Board, to include at minimum annual reports both before and after the year end.*

CVHA acknowledges the Key Recommendations in terms of setting of strategy and monitoring and reporting in relation to treasury management. The Association's treasury management reporting arrangements have been replicated in this section and reflect the framework and content suggested in the CIPFA guidance whilst being tailored to represent our business.

CVHA loan funding requirements are generally framed around short or medium term structures which are put in place for periods of 5 years or more and are not renewed annually. Therefore, the Association does not change the sources of funding on an annual basis in its strategy. Periodic refinancing and structural changes are overseen through dedicated refinancing sub-groups of the Board with support from independent financial advisors and reported to Board during development of these changes for approval.

The Board approves the Business Plan annually which contains full details of current loan structures, drawdown projections, hedging instruments, and projected interest rates. The Audit Committee continually reviews the operation of the Treasury Management Strategy and performance through quarterly reports.

The Association's treasury management reporting arrangements will be as follows:

S6.1 The Board will receive:

- An Annual Treasury Strategy, which will be contained within the Association's Annual Business Plan
- An Annual Treasury Management Outturn Report on the operation of the Treasury Strategy detailing the outturns against strategy.

The Audit Committee will receive:

- Quarterly Treasury Management Activity reports, which will incorporate a mid-year review.
- Quarterly summaries on cash flow management.

S6.2 The **Annual Treasury Strategy** sets out the Treasury aims and objectives for the coming financial year. In preparing the Annual Treasury Strategy, the Board will have regard to the maintenance of a stable financial position for the Association.

The Annual Business Plan approval (which covers a period of 30 years) will include the Annual Treasury Strategy and the following matters will be included.

- Detailed forecast cash flows for the following financial year and a summary position for a further 4 years.
- Details of current borrowings
- A statement of borrowing requirements for the next financial year together with a strategy for funding this requirement, ensuring that the Association has sufficient and appropriate facilities to meet both its short-term and long-term borrowing requirements, including:

- Current sources of finance and future potential sources of finance
  - Current repayment schedules and maturities
  - Interest rates based on fixed and hedged arrangements plus forecast interest rates for variable debt
  - Debt servicing Cost per the Annual Business Plan
  - Effect on the Association's security and projections of future security
  - Expected total outstanding debt at the end of each financial year
- Borrowing requirements beyond three years where the Association has made a commitment that will require funding
  - An agreed methodology for accessing the identified borrowing requirements
  - Identification of the key risks flowing from the cash flow forecasts for inclusion in sensitivity analysis in the Annual Business Plan
  - Identification and use of any cash surpluses that might accrue from the projected cash flow statements
  - Sensitivity analysis on the impact on the Association's cash flow to movements in interest rates and inflation and comments on mitigation factors
  - Methods and instruments available to the Association to manage the interest rate and inflation risks

### S6.3

The Board will receive an **Annual Treasury Management Outturn Report**. This report will cover the whole of the previous financial year's activities of the treasury operation and include final annual measures of performance. The overriding objective of the Annual Treasury Management Outturn Report is to provide a standalone document that gives a full picture of treasury activities, plans, policies, and results, independent of other reporting during the year. The Annual Treasury Management Outturn Report will incorporate the following specific information:

- A statement of the proportion of the debt that is hedged including a maturity ladder detailing all hedged borrowing and interest periods within unhedged borrowing;
- An overall summary of treasury operations for the year
- An analysis of actual cash flow compared with budgeted levels and commentary on variations (both positive and negative)
- A report analysing compliance with permitted borrowings and prevailing regulations, including:
  - Total debt outstanding
  - Total short term borrowings
  - Financial covenant compliance
  - Confirmation that total permitted borrowing has not been exceeded
  - Matters where TMPs have not been complied with (if any)
- As part of the annual review of treasury the F&CSD will also review this Treasury Policy Statement to ensure it is fit for purpose and advise the Board of any required amendments.



S6.4 The Audit Committee will receive quarterly Treasury Management activity reports detailing the following information as a minimum:

- An analysis of financial covenant compliance
- A summary of current loan portfolio including interest rate hedging
- An analysis of current investments by instrument, counterparty, maturity, and interest rollover date
- Indicative fixed rate loan breakage costs
- Cash flow compared to budget and an explanation of variations (both positive and negative)
- A commentary on the applicability of the current Annual Treasury Strategy and any recommended adjustments thereto
- Any matters where the TMPS or Annual Treasury Strategy have not been complied with
- Exception reports
- A recommendation as to any additional hedging to be adopted supported by external advisors.

S6.5 **Mid-Year Review**

The F&CSD will provide the Board at its meeting at or around the middle of each financial year, with a mid-year review of the Association's treasury operations. This will summarise performance to date regarding treasury management and in particular will note the following:

- An analysis of current prevailing short- and long-term interest rates, comparison with historical trends and estimated trend movements over the next 12 months. This data will be supported with externally gathered expert opinion
- A report on the relationship with lenders and any issues that may have an impact on CVHA
- A statement of borrowing requirements for the remainder of the financial year together with the strategy for funding this requirement
- The strategy to be adopted for investment of cash surpluses during the remainder of the year
- Any proposals for amendments to this Treasury Policy Statement (if applicable)
- Revisions to the current 12-month cash flow forecast, estimates of interest rate trends and the impact on the current Annual Treasury Strategy
- Recommended adjustments to the current interest rate risk management policy contained in the Annual Treasury Strategy and any revenue effect supported by external advisors.

S6.6 The F&CSD will, upon identification of any event likely to have a materially adverse effect of the finances of the Association, report as soon as possible to the CEO, the Chair of the Board, together where possible, with proposals for rectifying or ameliorating the effect of such event. The CEO currently updates the Chair of the Board on all financial matters of relevance at one-to-one session.

S6.7 The Chair of the Board, in consultation with the CEO and the Board, will determine whether to call a special meeting of the Association to deal with the issue arising or otherwise identifying the next available regular meeting at which a report will be made.

S6.8 The Audit Committee will receive **quarterly cash flow reports** as part of the Quarterly Financial Report included in the Quarterly Performance Report.

S6.9 The following table summarises the Association’s reporting to the Board of treasury management activity:

**REPORTING OF TREASURY MANAGEMENT**

<b>Policy</b>	<b>Report</b>	<b>Objective</b>	<b>Frequency</b>	<b>Reported To</b>
Liquidity	Quarterly cash flow	Assist cash flow management/investment decisions	Quarterly	Audit Committee
Borrowing	Analysis of loans	Identify/monitor exposure by interest rate type and funders	Quarterly	Audit Committee
	Loan drawdown schedule	Private finance planning	Quarterly	Audit Committee
	Borrowing Plan	Private finance planning	Annually	Board
	Covenant Monitoring Report	Monitor compliance with loan covenants	Quarterly	Audit Committee
	Annual Return	Identify exposure by lender, facility and rate type and interest rate hedges	Annually	The Scottish Housing Regulator
Interest rate management	Weighted average cost of capital	Monitor cost of borrowing	Annually	Board
	Interest gapping report	Monitor of investment/ borrowing maturity exposure risks	Annually	Board
	Hedging report	Monitor levels of interest hedging compared with the targets for each hedging category established by the Treasury Strategy (where applicable).	Annually	Board
Investments	Counterparty list	Minimise risk on investments	Annually	Board

<b>Policy</b>	<b>Report</b>	<b>Objective</b>	<b>Frequency</b>	<b>Reported To</b>
	Current temporary investments	Monitor investment of temporary cash flow surpluses	Quarterly	Board
TM Policy	Review	Monitor continued applicability	Annually	Board

## **Schedule S7: Budgeting, Accounting and Audit Arrangements**

- S7.1 The annual budgets will normally be prepared between October and December each year. They will be discussed by the Executive Team in December with the finalised submission being presented to the Audit Committee usually in February of each year and to the Board for approval in March depending on meeting dates prior to the start of the new financial year.
- S7.2 The Association has a robust system of Budget setting in place The budget will have separate sections for revenue and capital as outlined in S7.4 below
- S7.3 Each budget holder will prepare estimates of expenditure and income in the format and by the date required by the F&CSD. Both the format and date are agreed as part of the Budget Process and the final budget agreed by the Executive Team prior to completion.
- S7.4 The annual staffing plan for the forthcoming year is incorporated in the Budget process by the People Director including the relevant salaries including increments due for that year. The capital expenditure plan is made up of development activities and major repairs capitalised submitted by the Development & Property Director and Fixed Asset replacement by the F&CSD.
- S7.5 After checking and clarifying the budgets prepared by budget holders, the Finance Manager and the Senior Finance Officer will collate the estimates and report to the F&CSD in the first instance before taking this to the Executive Team. The Executive Team will review budget 'bids' and business cases for the year and any changes will be made before the draft budgets are submitted to the Board. Executive sign off will take place no later than January each year.
- S7.6 As part of the Corporate Planning Process the Association will produce budgets for the current year and five year medium forecasts are incorporated in the 30 year long term financial planning. This exercise will run in parallel with the Annual budget and be presented to the Audit Committee in February with the final Business Plan being approved by the Board in March before being submitted to lenders as per the loan agreement.
- S7.7 The Audit Committee monitor and regulate the Association's quarterly and annual performance against budget.
- S7.8 Each budget holder will ensure that approved budgets are not exceeded and that, where possible, economies are identified as part of the Annual Efficiency Plan, and that all expenditure has been properly incurred in terms of the Association's Financial Regulations and Procurement policies. Any proposals which may result in a budget being subject to material variance must be agreed in advance with the Board.
- S7.9 Budget Holders should maintain their own records to ensure that they are aware of forward commitments, which have not yet been paid for. All Managers have completed budget training, and their training is refreshed either in house or externally on an on-going basis. The Finance Manager will provide training on request to all budget holders and senior staff members on how to obtain the information they require on actual income and expenditure to date from the General Ledger to assist with budgetary control. In addition, detailed procedures regarding accessing the General Ledger are available from Finance.

- S7.10 The Finance Manager will submit quarterly financial management reports to the Audit Committee comparing actual with budgeted income and expenditure for the year to date highlighting any significant variances.
- S7.11 The Finance Manager will also submit monthly devolved budget statements to all budget holders highlighting performance relative to budget on a monthly basis. Where material issues arise, these are flagged to the F&CSD for the appropriate action at that time.
- S7.12 Inclusion of an item in the budget constitutes authority to the budget holder or authorised staff member to incur such expenditure up to the level of the provision, subject to the following:
- Where provision for additional staff, annual increments pay awards and re-gradings has been made in the budget, final approval of the Board is required before implementation.
  - All supplies and services included in the budget are subject to the Association's procurement limits and Business Case methodology and when incorporated in the budget require final approval by the Board. Authorisation limits for staff members is the subject of a separate note on delegated authority.
- S7.13 The individual budget headings for which each member of staff is responsible are detailed in the budget pack and delegated authority schedule.
- S7.14 Virement (i.e., transfer of agreed estimates from one budget heading to another) is not generally permitted within the Association without approval from the F&CSD and incorporated in the reforecasting as part of the Budget Process.
- S7.15 In circumstances of emergency, where budget provision is not in place, but expenditure is required for minor amounts this may be incurred by obtaining the **prior** approval of the most senior member of staff on duty, who will consult the F&CSD, if possible, before agreeing to any request. In general, any expenditure of a significant amount as defined in the procurement policy requires the completion of a business case which requires to be approved by the Executive Team and detailing how this expenditure will be financed before the expenditure can go ahead.
- S7.16 Officers should ensure that when reports are submitted to the Board the financial implications of any course of action should be fully detailed. The F&CSD should be consulted **prior** to a report, which has financial implications going to the Board.
- S7.17 The F&CSD will ensure that proper financial and accounting arrangements are made for the collection and recording of all monies due to the Association.
- S7.18 The Customer Services Director, in consultation with the F&CSD, will review the level of rents and service charges by October/November of each year and a report of the reviews will be submitted to the Board for approval, the revised rates being incorporated in the final budget.
- S7.19 The Association's accounting policies are set out in the notes to the annual financial statements. These are subject to continual review by the Association's external auditors and any changes are approved by the Board.
- S7.20 The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards. Under FRS 102 certain assets

and liabilities must be valued at Fair Value such as Investment properties and exposure on financial instruments and this valuation is done annually.

- S7.21 The accounts are prepared for the financial year ending 31 March. The financial reporting framework that is applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard.
- S7.22 Each year the Association must appoint, at a general meeting of the Association, a qualified auditor. The auditor must report to the Association on the accounts they have examined and certify they are in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Registered Housing Association Determination of Accounting Requirements – 2014.
- S7.23 The F&CSD is responsible for the retention of financial documents. These should be kept in a form acceptable to the relevant authorities and comply with GDPR.
- S7.24 The Association is required by law to retain prime documents. This includes retention electronically. These include:
- Accounts raised (permanently due to Data Protection Act)
  - Copies of receipts (six years)
  - Payroll records (six years)
  - VAT records (six years)
- S7.25 For auditing and other purposes, the Association should retain other financial documents for six years.
- S7.26 The Board has responsibility for ensuring that the systems of internal control, financial and otherwise are appropriate for the nature of the Association. To assist the Board in discharging this responsibility a separate Audit Committee has been established.
- S7.27 One of the functions of the Audit Committee is to consider an Annual Report for the Board on the annual audit processes and outputs prepared by the F&CSD and make recommendations to the Board on this where required.
- S7.28 The Audit Committee's duties in relation to external and internal audit are detailed in a separate document which is the Remit of that Committee.
- S7.29 The Association is required under Part 6 of the Housing (Scotland) Act 2010 to have an independent external audit. Only persons who are eligible for appointment under Chapter 2 of Part 42 of the 2006 Companies Act and are registered with a supervisory body recognised under this Act, may be appointed as external auditors.
- S7.30 Tenders for external audit services will be sought in line with the Associations procurement strategy generally on a 3-year contract with options to add additional years with the auditor's performance being reviewed annually. The Board will propose the appointment or re-appointment of the auditors at the Association's Annual General Meeting.
- S7.31 The Audit Committee will advise the Board on all matters relating to the appointment of external auditors.

S7.32 To assist the Audit Committee in advising the Board on the adequacy and effectiveness of the Association's internal control systems the Association procures internal audit services from an external provider. Tenders for this service will be sought in line with the Association's procurement strategy generally on a 3-year contract with options to add additional years with the auditor's performance being reviewed annually.

S7.33 The role of the Internal Auditor is to:

- (i) Regularly review existing financial and other business systems, controls, and procedures to ensure that they are economic, efficient, and effective, that they are amended in accordance with changing circumstances and that they are adhered to in practice;
- (ii) Recommend where appropriate that changes be made to existing financial and other business controls and procedures operated in any department;
- (iii) Participate in discussions relating to the formulation and installation of new systems, controls, and procedures;
- (iv) Assist in the protection of the assets and interests of the Association by carrying out a continuous examination of activities in order to detect fraud, misappropriation, irregular expenditure, and losses due to waste or maladministration.
- (v) Regularly monitor compliance with the Association's Financial Regulations.
- (vii) A 3-year review programme is agreed with the F&CSD and other senior officers prior to the Internal Audit programme commencing. Ad Hoc additional audits can be undertaken on request.

S7.34 In order to carry out this remit the Internal Auditor shall have authority to:

- (i) Enter at all reasonable times any Association premises or land.
- (ii) Have access to, with power to remove, if necessary, all records, documents and correspondence relative to any subject being examined.
- (iii) Require and receive such explanations as necessary concerning any matter under examination.
- (iv) Require any employee of the Association to produce cash or any other property under his/her control; and
- (v) Obtain the co-operation of any employee of the Association in carrying out special investigations.

## Schedule S8: Cash and Cash Flow Management

*CIPFA believes that "the preparation of cash flow projections on a regular and timely basis provides a sound framework for effective cash management in the public services. Procedures for their preparation and review/modification, the periods to be covered, sources of data, etc should be an integral part of the schedules to an organisation's approved treasury management practices".*

Cash flow projections are made:

- S8.1 On a daily basis, using the Barclays online Banking system and reconciliation of outstanding items on an excel spreadsheet.
- S8.2 The Finance Manager considers daily /weekly cash flow reports produced by the Finance Team as required.
- S8.3 On a monthly basis via a monthly projection sheet considering such data as:
- Receipts or payments
  - Inter-account transfers
  - Loans – drawdowns and repayments
- S8.4 On a quarterly basis – and subsequently reported to Audit Committee:  
The Finance Manager will produce effective cash flow forecasting and monitoring systems, which will identify the extent to which the Association is exposed to the effects of potential cash flow variations and shortfalls.
- S8.5 The Finance Manager will oversee the maintenance of a cash flow projection system that allows constant evaluation of incoming and outgoing cash flows on a daily basis for a period of at least 3 months, and which provides an indicative forecast for the next 12 months.
- S8.6 The Finance Manager prepares longer term strategic cash flow forecasts in the 30-Year business plan.



## Schedule S9: Money Laundering

The Association's approach money laundering is as follows:

- S9.1 The Association has a Fraud, Bribery and Money Laundering Policy (G55) in place, which is the responsibility of the F&CSD, in liaison with the Executive Team. The Policy is reviewed by the Board every 3 years.

The F&CSD is responsible for maintaining appropriate procedures based on a risk assessment against money laundering, using the following risk assessment template

Customer profile	Explain how the risk factor applies	Procedures in place to manage and mitigate the risks
New customer	Checking a new customer's identity is difficult	Establish reasons for problem and refer to MLRO if necessary. Obtain verification from other source such as the Department for Work and Pensions, HMRC etc.
New customer	There is reluctance from a new customer to provide details of their identity	Establish reasons for reluctance. Do not conduct business with customer and submit internal suspicious activity report to MLRO
Existing customer	The size of the transaction is not consistent with previous activity, for example, a customer on housing benefit suddenly has the funds for a deposit to fund a house purchase	Enquiries as to source of funds, establish who is financing the transaction. Obtain bank statements as proof of source of funding for transaction. Ensure all payments made through customer's bank account
Existing customer	The financial circumstances of an existing customer has changed, for example, the customer wishes to accelerate the purchase of ABC Housing Association's interest in a shared ownership property	As above
New or existing customer	Money is paid by a third party who has no obvious link with the transaction	Establish nature of relationship between customer and third party. Confirm reason for third party involvement in transaction. Ensure payment from third party is made through bank account
New or existing customer	The customer wants to pay a large sum in cash	Inform customer of cash limit (£500). Enquire as to reason for wishing to pay in cash and source of funds. Consider reporting to MLRO in order to obtain consent to proceed with transaction
New or existing customer	A customer makes an approach to purchase a property then decides not to proceed on realising his or her identity will be checked for anti-money laundering purposes	Report to MLRO. Do not undertake any business for customer

Customer profile	Explain how the risk factor applies	Procedures in place to manage and mitigate the risks
Existing customer/ shared ownership purchase	Property purchase (medium risk)	Confirm that customer identification data held is current and update as necessary. Establish source of funds and obtain proof of income
New customer/ shared ownership purchase	Property purchase (high risk)	Identify customer using documents/ electronic check. Establish source of funds and obtain copy bank statements as verification. Ensure all transactions conducted through customer's bank account
Existing customer/ right to buy purchase	Property purchase (low/medium risk)	Confirm that customer identification data held is current and update as necessary. Enquire as to source of funds and obtain evidence
New customer/ new property purchase	Property purchase (high risk)	Identify customer using documents/ electronic check. Establish source of funds and obtain copy bank statements and wage slips. Ensure all transactions conducted through customer's bank account
New customer/ non-UK national/ new property purchase	Property purchase (high risk)	Identify customer using documents/ electronic check. Verify source of funds and obtain evidence in documentary form. Check if customer fits the definition of a PEP. Check the Treasury sanctions list. Ensure all transactions conducted through UK bank account. Verify status of customer as to UK residence. Refer to line manager before proceeding

- S9.2 The F&CSD will, in accordance with the financial regulations (fraud and misappropriation), follow the recommended procedures for any attempt either internally or externally to misapply the Association's funds.
- S9.3 Loans shall not be taken from, nor deposit made with, any organisation or individual which has not previously lent funds to or taken deposits from the Association without the prior consent of the Board (whether that organisation or individual complies with the Association's established borrowing or investment criteria).
- S9.4 In granting consent to a loan or deposit from a new organisation or individual, the appropriate Director will ensure that the identity and credentials of such organisation or individual have been appropriately ascertained and verified in accordance with the requirement to "know the customer or supplier".
- S9.5 No substantial asset of the Association shall be disposed of or exchanged for cash or other assets without prior disclosure to the F&CSD who will be responsible for ensuring that the identity and credentials of such individual or organisation have been appropriately ascertained and verified in accordance with the requirement to "know the customer or supplier".
- S9.6 The Customer Services Director will maintain a written record of such verification and the details provided by the organisation or individual in accordance with the following Money Laundering Policy Cash Check Declaration; the Senior Officer will review and countersign each entry.

**Money Laundering Policy  
Cash Check Declaration**

This declaration should be used where payments of over £500 are received by the Association.

Name	
Address	
Amount Paid	
Source of Cash	
Housing Officer Authorisation	
Housing Operations Manager Authorisation	
Payee Confirmation Signature	

In instances of suspected money laundering, an investigation will be carried out and a report to the Board and the following record sheet completed and retained.

<b>MONEY LAUNDERING RECORD SHEET</b>			
<b>Procedure</b>	<b>Date</b>	<b>Comments</b>	<b>Initials</b>
Reference			
Initial Report of suspicion			
F&CSD investigation			
Result of investigation			
Valid suspicious report to NCA <sup>1</sup>			
NCA acknowledgement received			
Formal notification to Board			

S9.7 All entries made in the Money Laundering Record Sheet will be reported to the Board at the first meeting following such entry being made. The Record Sheet will be held available for inspection by any Board member, internal or external auditors, The Scottish Housing Regulator or Director of the Financial Conduct Authority. A record of entries made will be retained for a period of 5 years.

S9.8 The F&CSD will ensure that these requirements are communicated to, and understood by, all members of staff likely to be involved in the taking of loans, making deposits and disposal or exchange of assets.

S9.9 The F&CSD will be similarly responsible for taking reasonable steps to ensure that members of staff dealing with any element of the Association's cash flow are appropriately alert to the possibility of attempts being made to use the Association for money laundering purposes. Staff will also be aware of the requirement to report suspicions of money laundering to the F&CSD.

S9.10 Where the F&CSD is satisfied that a suspicion of money laundering does exist, he/she will report these to the National Crime Agency (NCA) either:

- Online via the NCA SAR ("Suspicious Activity Report") Online System at <http://www.nationalcrimeagency.gov.uk>; or
- By telephoning the UKFIU (United Kingdom Financial Intelligence Unit) on 020 7238 8282.

More information is available at <http://www.nationalcrimeagency.gov.uk> (and at HM Revenue & Custom's website at <http://www.hmrc.gov.uk/mlr/index.htm>).

Written confirmation of all reports will be sought.

S9.11 The F&CSD will ensure that the Association complies appropriately with any rules and/or regulations relating to money laundering as may be issued from time to time by the Financial Conduct Services Authority, The Scottish Housing Regulator or any other relevant regulatory or legislative body.

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<sup>1</sup> "NCA" means National Crime Agency

## **Schedule S10: Staff Training and Qualifications**

- S10.1 CVHA recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise knowledge and skills. The F&CSD will recommend and implement the necessary arrangements.
- S10.2 The Chief Executive and the F&CSD will ensure that the members of the Board tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.
- S10.3 Those charged with governance, including the members of the Board, recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.
- S10.4 CVHA is a small organisation, and the Finance Team employs 7 staff responsible for all Financial work within the organisation, so no separate Treasury Function exists within the organisation. Day-to-day Treasury-related matters are dealt with by the team with ultimate accountability resting with the F&CSD.

## Schedule S11: Use of External Service Providers

*In the Code, CIPFA "advises all organisations using the services of external service providers to document comprehensively the arrangements made with them".*

- S11.1 General day-to-day treasury management will be carried out by the F&CSD. The Association may appoint external consultants to undertake certain treasury management projects when special expertise is required. Any such appointment will be subject to the Board approving the terms of engagement.
- S11.2 The current banking service was the subject of a competitive tender process in 2008 and a 3-year contract with extensions of 1 year was approved. Given the key relationships developed with the banks concerned as part of the banking service and the systems connected with this, although the service will remain under constant review it is not the intention to put this to competitive tender every 3-5 years unless this becomes necessary due to service provision issues.
- S11.3 The following table summarises current arrangements with respect to external service providers:

<b>Activity</b>	<b>Service Provider</b>
Treasury management loan documentation and derivative legal services	Approved solicitors as per the current contract in place
Property security legal services	Approved solicitors as per the current contract in place
Treasury management strategy and advice	ATFS, previously Murja Limited
Loan security valuations	Approved valuation companies who are acceptable to the lenders and appointed in line with the current procurement policy

## Schedule S12: Corporate Governance

- S12.1 The Scottish Housing Regulator's (SHR) Regulatory Framework sets out 6 Regulatory Standards of Governance and Financial Management and associated guidance. All RSLs must comply with these standards and guidance and, by doing so, demonstrate effective governance and sound financial management and deliver good outcomes for tenants. SHR expect RSLs to use these standards and guidance to assess, confirm and improve their governance and financial management policies and practice and be accountable to their tenants and other service users.
- S12.2 The Regulatory Standards and the associated guidance meet SHR's duties under Part 3 of the Housing (Scotland) Act 2010 ("the Act").
- S12.3 These standards and guidance are referred to by SHR to monitor, assess, and report on RSLs' financial well-being and standards of governance. It is for each RSL to govern and manage its own business and performance and decide how it will comply with these standards and guidance and be accountable for its actions.
- S12.4 As well as the above the Association operates under the terms of its Rules and the Board exercises proper control over the Association's activities and makes decisions in the best interests of the organisation and its service users, in line with its Code of Conduct.
- S12.5 The Code of Conduct is to encourage Board members to attain the highest standards of governance and financial management. The Code of Conduct provides an easy and straightforward framework for Board members to adhere to achieve the following objectives:
- Customers are confident in the Board's skills and integrity.
  - Board members are confident in the training and support provided.
- S12.6 With reference to Treasury Management, section F1 of the Code of Conduct sets out the requirements for the governing body:
- Clyde Valley Housing Association's Board must observe and uphold the principles and requirements of the SHR's Regulatory standards of Governance and Financial Management, guidance issued by SHR and other Regulators, and ensure that the legal obligations are fulfilled.
  - Methods of ensuring this control include, but are not limited to:
    - a) Establishing business and financial objectives.
    - b) Regular consultation and advice sought from financial consultants.
    - c) Approving each year's budget, exercising financial management and managing responsibility for both financial and non-financial risks.
    - d) Preparing an annual budget.
    - e) Monitoring spend against actual with regular reports presented to the Audit Committee.
    - f) Monitoring spends against actual with quarterly management accounts to Audit Committee.
    - g) Regular review of life cycle costing programme.
    - h) Regular review of 30-year long-term projections.

S12.7 The Association is committed to openness and transparency with the publication of an annual report which is available online or in hard copy on request. The annual accounts of the Association are presented at the AGM each year by the Association's Auditors and are available on the Scottish Housing Regulators website, as well as filed at Companies House and with the Office of the Scottish Charities Regulator (OSCR).



**Policy Change History**

<b>Version No:</b>	<b>Substantive Change</b>	<b>Author of Change</b>	<b>Approval</b>	<b>Date</b>	<b>Website</b>
1.0	New front cover & version history applied	Anne Cavinue		10.03.23	Y
2.0	Annual review of policy: updated to incorporate the position at November 2023	Laura Steven		22.11.23	Y